

City of Detroit

CITY COUNCIL

IRVIN CORLEY, JR.
DIRECTOR
(313) 224-1076

FISCAL ANALYSIS DIVISION
Coleman A. Young Municipal Center
2 Woodward Avenue, Suite 218
Detroit, Michigan 48226
FAX: (313) 224-2783
E-Mail: irvin@cncl.ci.detroit.mi.us

ANNE MARIE LANGAN
DEPUTY DIRECTOR
(313) 224-1078

TO: COUNCILMEMBERS

FROM: Irvin Corley, Jr., Fiscal Analyst *ICJ*
Anne Marie Langan, Deputy Director *AML*

DATE: February 2, 2009

RE: Councilmember Watson's Resolution of January 23, 2009, "To Reduce Expenditures to Help Resolve the Budget Deficit"

Last week at Formal Session, our office was asked to cost out the corrective actions listed in Councilmember Watson's resolution to reduce the budget deficit.

Attached are four charts that we believed quantify all the actions that can be quantified at this time.

The charts only address operational cost reductions. It will take a longer time to quantify the possible revenue on existing account receivables that should be collected as quickly as possible.

We provided reductions for the entire city at 20% and 10% with all employees as well as just civilian employees, to show the different outcomes based on contract negotiations.

Of the \$1.4 billion general fund budget, cuts are only being suggested to \$867 million or 62% of the budget, because many of the other costs are fixed – debt service, insurance premiums, utilities - and unless certain functions are completely cut, those fixed costs will still exist. The last two charts only show a budget of \$415 million because the uniform costs were taken out of the analysis.

Along with the cuts in salaries, there were equivalent cuts quantified in both the pension normal cost and the healthcare costs, as those costs have always been considered part of compensation in the past.

The figure for salary in excess of \$100,000 came from a document given to us during the budget development of 2005-2006. We know it will have to be modified, but the current amount shouldn't differ that greatly.

If operations are not cut to a four-day week and it is just a payroll reduction, then it may be difficult to achieve reductions in supplies and maintenance accounts, as the work will continue five days per week. Those supplies will be needed to get the work done.

In every scenario, stipends, cell phones, travel and salary range reductions are assumed to be 100% saving as opposed to 10% or 20%.

The vehicles purchased in the last few budget cycles have all been work vehicles – trucks, garbage haulers, and such, so there is no cost savings to quantify. Due to the implementation of the stipend, executive cars have not been purchased for some time.

We are available to answer any additional concerns or questions.

Attachments (5)

cc: Council Divisions
Auditor General

Council Resolution on Cost Reductions to Resolve Budget Deficit - 20% Reduction - Civ & Unif

		2008-2009 Budget	12-Month 20% Reduction	5-Month Savings
All 2008-2009 General Fund Payroll Accounts		\$ 481,500,000.00		
Reduction for 12 months	20%		\$ 96,300,000.00	
February to June (5 months savings)				\$ 40,125,000.00
All 2008-2009 General Fund Pension Accounts - Normal Cost Only		\$ 67,800,000.00		
Reduction for 12 months	20%		\$ 13,560,000.00	
February to June (5 months savings)				\$ 5,650,000.00
All 2008-2009 General Fund Hospitalization Accounts (Active & Retiree)		\$ 181,000,000.00		
Reduction for 12 months	20%		\$ 36,200,000.00	
February to June (5 months savings)				\$ 15,083,333.33
All 2008-2009 General Fund Dental Accounts (Active & Retiree)		\$ 8,500,000.00		
Reduction for 12 months	20%		\$ 1,700,000.00	
February to June (5 months savings)				\$ 708,333.33
All 2008-2009 General Fund Eyecare Accounts (Active & Retiree)		\$ 2,300,000.00		
Reduction for 12 months	20%		\$ 460,000.00	
February to June (5 months savings)				\$ 191,666.67
All 2008-2009 General Fund Contractual Services Accounts		\$ 55,900,000.00		
Reduction for 12 months	20%		\$ 11,180,000.00	
February to June (5 months savings)				\$ 4,658,333.33
All 2008-2009 General Fund Operating Supply Accounts		\$ 5,400,000.00		
Reduction for 12 months	20%		\$ 1,080,000.00	
February to June (5 months savings)				\$ 450,000.00
All 2008-2009 General Fund Fuel and Gas Accounts		\$ 39,021,000.00		
Reduction for 12 months	20%		\$ 7,804,200.00	
February to June (5 months savings)				\$ 3,251,750.00
All 2008-2009 Repair and Maintenance Accounts		\$ 23,200,000.00		
Reduction for 12 months	20%		\$ 4,640,000.00	
February to June (5 months savings)				\$ 1,933,333.33
All 2008-2009 Vehicle Stipends		\$ 560,000.00		
Reduction for 12 months	100%		\$ 560,000.00	
February to June (5 month savings)				\$ 233,333.33
All Salary in excess of \$100,000		\$ 1,715,000.00		
Reduction for 12 months	100%		\$ 1,715,000.00	
February to June (5 months savings)				\$ 714,583.33
All 2008-2009 Travel Accounts		\$ 193,000.00		
Reduction for 12 months	100%		\$ 193,000.00	
February to June (5 months savings)				\$ 80,416.67
All 2008-2009 Cell Phone and Pager Accounts		\$ 278,000.00		
Reduction for 12 months	100%		\$ 278,000.00	
February to June (5 months savings)				\$ 115,833.33
		\$ 867,367,000.00	\$ 175,670,200.00	\$ 73,195,916.67

Council Resolution on Cost Reductions to Resolve Budget Deficit - 10% Reduction -Civ & Unif

		2008-2009 Budget	12-Month 10% Reduction	5-Month Savings
All 2008-2009 General Fund Payroll Accounts		\$ 481,500,000.00		
Reduction for 12 months	10%		\$ 48,150,000.00	
February to June (5 months savings)				\$ 20,062,500.00
All 2008-2009 General Fund Pension Accounts - Normal Cost Only		\$ 67,800,000.00		
Reduction for 12 months	10%		\$ 6,780,000.00	
February to June (5 months savings)				\$ 2,825,000.00
All 2008-2009 General Fund Hospitalization Accounts (Active & Retiree)		\$ 181,000,000.00		
Reduction for 12 months	10%		\$ 18,100,000.00	
February to June (5 months savings)				\$ 7,541,666.67
All 2008-2009 General Fund Dental Accounts (Active & Retiree)		\$ 8,500,000.00		
Reduction for 12 months	10%		\$ 850,000.00	
February to June (5 months savings)				\$ 354,166.67
All 2008-2009 General Fund Eyecare Accounts (Active & Retiree)		\$ 2,300,000.00		
Reduction for 12 months	10%		\$ 230,000.00	
February to June (5 months savings)				\$ 95,833.33
All 2008-2009 General Fund Contractual Services Accounts		\$ 55,900,000.00		
Reduction for 12 months	10%		\$ 5,590,000.00	
February to June (5 months savings)				\$ 2,329,166.67
All 2008-2009 General Fund Operating Supply Accounts		\$ 5,400,000.00		
Reduction for 12 months	10%		\$ 540,000.00	
February to June (5 months savings)				\$ 225,000.00
All 2008-2009 General Fund Fuel and Gas Accounts		\$ 39,021,000.00		
Reduction for 12 months	10%		\$ 3,902,100.00	
February to June (5 months savings)				\$ 1,625,875.00
All 2008-2009 Repair and Maintenance Accounts		\$ 23,200,000.00		
Reduction for 12 months	10%		\$ 2,320,000.00	
February to June (5 months savings)				\$ 966,666.67
All 2008-2009 Vehicle Stipends		\$ 560,000.00		
Reduction for 12 months	100%		\$ 560,000.00	
February to June (5 month savings)				\$ 233,333.33
All Salary in excess of \$100,000		\$ 1,715,000.00		
Reduction for 12 months	100%		\$ 1,715,000.00	
February to June (5 months savings)				\$ 714,583.33
All 2008-2009 Travel Accounts		\$ 193,000.00		
Reduction for 12 months	100%		\$ 193,000.00	
February to June (5 months savings)				\$ 80,416.67
All 2008-2009 Cell Phone and Pager Accounts		\$ 278,000.00		
Reduction for 12 months	100%		\$ 278,000.00	
February to June (5 months savings)				\$ 115,833.33
		\$ 867,367,000.00	\$ 89,208,100.00	\$ 37,170,041.67

Council Resolution on Cost Reductions to Resolve Budget Deficit - 20% Reduction - Civilian Only

		2008-2009 Budget	12-Month 20% Reduction	5-Month Savings
All 2008-2009 General Fund Payroll Accounts		\$ 208,500,000.00		
Reduction for 12 months	20%		\$ 41,700,000.00	
February to June (5 months savings)				\$ 17,375,000.00
All 2008-2009 General Fund Pension Accounts - Normal Cost Only		\$ 21,500,000.00		
Reduction for 12 months	20%		\$ 4,300,000.00	
February to June (5 months savings)				\$ 1,791,666.67
All 2008-2009 General Fund Hospitalization Accounts (Active & Retiree)		\$ 55,600,000.00		
Reduction for 12 months	20%		\$ 11,120,000.00	
February to June (5 months savings)				\$ 4,633,333.33
All 2008-2009 General Fund Dental Accounts (Active & Retiree)		\$ 2,760,000.00		
Reduction for 12 months	20%		\$ 552,000.00	
February to June (5 months savings)				\$ 230,000.00
All 2008-2009 General Fund Eyecare Accounts (Active & Retiree)		\$ 620,000.00		
Reduction for 12 months	20%		\$ 124,000.00	
February to June (5 months savings)				\$ 51,666.67
All 2008-2009 General Fund Contractual Services Accounts		\$ 55,900,000.00		
Reduction for 12 months	20%		\$ 11,180,000.00	
February to June (5 months savings)				\$ 4,658,333.33
All 2008-2009 General Fund Operating Supply Accounts		\$ 5,400,000.00		
Reduction for 12 months	20%		\$ 1,080,000.00	
February to June (5 months savings)				\$ 450,000.00
All 2008-2009 General Fund Fuel and Gas Accounts		\$ 39,021,000.00		
Reduction for 12 months	20%		\$ 7,804,200.00	
February to June (5 months savings)				\$ 3,251,750.00
All 2008-2009 Repair and Maintenance Accounts		\$ 23,200,000.00		
Reduction for 12 months	20%		\$ 4,640,000.00	
February to June (5 months savings)				\$ 1,933,333.33
All 2008-2009 Vehicle Stipends		\$ 560,000.00		
Reduction for 12 months	100%		\$ 560,000.00	
February to June (5 month savings)				\$ 233,333.33
All Salary in excess of \$100,000		\$ 1,715,000.00		
Reduction for 12 months	100%		\$ 1,715,000.00	
February to June (5 months savings)				\$ 714,583.33
All 2008-2009 Travel Accounts		\$ 193,000.00		
Reduction for 12 months	100%		\$ 193,000.00	
February to June (5 months savings)				\$ 80,416.67
All 2008-2009 Cell Phone and Pager Accounts		\$ 278,000.00		
Reduction for 12 months	100%		\$ 278,000.00	
February to June (5 months savings)				\$ 115,833.33
		\$ 415,247,000.00	\$ 85,246,200.00	\$ 35,519,250.00

Council Resolution on Cost Reductions to Resolve Budget Deficit -10% Reduction - Civilian Only

		2008-2009 Budget	12-Month 10% Reduction	5-Month Savings
All 2008-2009 General Fund Payroll Accounts		\$ 208,500,000.00		
Reduction for 12 months	10%		\$ 20,850,000.00	
February to June (5 months savings)				\$ 8,687,500.00
All 2008-2009 General Fund Pension Accounts - Normal Cost Only		\$ 21,500,000.00		
Reduction for 12 months	10%		\$ 2,150,000.00	
February to June (5 months savings)				\$ 895,833.33
All 2008-2009 General Fund Hospitalization Accounts (Active & Retiree)		\$ 55,600,000.00		
Reduction for 12 months	10%		\$ 5,560,000.00	
February to June (5 months savings)				\$ 2,316,666.67
All 2008-2009 General Fund Dental Accounts (Active & Retiree)		\$ 2,760,000.00		
Reduction for 12 months	10%		\$ 276,000.00	
February to June (5 months savings)				\$ 115,000.00
All 2008-2009 General Fund Eyecare Accounts (Active & Retiree)		\$ 620,000.00		
Reduction for 12 months	10%		\$ 62,000.00	
February to June (5 months savings)				\$ 25,833.33
All 2008-2009 General Fund Contractual Services Accounts		\$ 55,900,000.00		
Reduction for 12 months	10%		\$ 5,590,000.00	
February to June (5 months savings)				\$ 2,329,166.67
All 2008-2009 General Fund Operating Supply Accounts		\$ 5,400,000.00		
Reduction for 12 months	10%		\$ 540,000.00	
February to June (5 months savings)				\$ 225,000.00
All 2008-2009 General Fund Fuel and Gas Accounts		\$ 39,021,000.00		
Reduction for 12 months	10%		\$ 3,902,100.00	
February to June (5 months savings)				\$ 1,625,875.00
All 2008-2009 Repair and Maintenance Accounts		\$ 23,200,000.00		
Reduction for 12 months	10%		\$ 2,320,000.00	
February to June (5 months savings)				\$ 966,666.67
All 2008-2009 Vehicle Stipends		\$ 560,000.00		
Reduction for 12 months	100%		\$ 560,000.00	
February to June (5 month savings)				\$ 233,333.33
All Salary in excess of \$100,000		\$ 1,715,000.00		
Reduction for 12 months	100%		\$ 1,715,000.00	
February to June (5 months savings)				\$ 714,583.33
All 2008-2009 Travel Accounts		\$ 193,000.00		
Reduction for 12 months	100%		\$ 193,000.00	
February to June (5 months savings)				\$ 80,416.67
All 2008-2009 Cell Phone and Pager Accounts		\$ 278,000.00		
Reduction for 12 months	100%		\$ 278,000.00	
February to June (5 months savings)				\$ 115,833.33
		\$ 415,247,000.00	\$ 43,996,100.00	\$ 18,331,708.33

*WALKER
New Business*

January 23, 2009

RESOLUTION TO REDUCE EXPENDITURES TO HELP RESOLVE BUDGET DEFICIT

By Jo Ann Watson

WHEREAS The City of Detroit has experienced a significant budget deficit, and

WHEREAS There is an urgent need to remediate the budget crisis, and

WHEREAS The Detroit City Council is accountable for approving the budget and monitoring the budget to maintain fiscal integrity, and

WHEREAS The legislative body and the executive branch both have levels of Accountability with respect to fiscal stability, then therefore be it

RESOLVED That the executive branch be urged to implement certain actions as recommended by the legislative branch in accordance with budget monitoring:

- Effective February 1, 2009, implement 4-day work weeks, Monday -Friday
- As work days are reduced 20%, reduce all compensation 20%
- Renegotiate all contracts to seek 10 to 20% savings
- Approve contracts only on an emergency basis
- Institute a hiring freeze
- No departments with current budget deficits can submit contracts for approval
- No city sponsored travel, credit cards, cell phones, or other electronic devices
- No new vehicles purchased that are not related to delivery of city services
- Immediate plan to be submitted by Finance and Law staff re: collection of accounts receivable
- All salaries in excess of \$100,000.00 scaled back to \$100,000.00 with the exception of the Mayor of the City of Detroit
- Establishment of a budget monitoring task force with reports to legislative body on a weekly basis

*Refer to Fiscal - BB
next Tuesday*

1-27-09 Rec'd @ Table